GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

UNSTARRED QUESTION NO:301
ANSWERED ON:19.02.2009
SUBSIDY ON PETROLEUM PRODUCTS
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Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether the Government has planned to rationalise the subsidy on petroleum products instead of burdening few oil PSUs at the cost of their financial health and Navaratna status;

(b) if so, the details thereof;

(c) whether the Government has planned to balance the oil pricing mechanism by imposing lesser burden on the consumers in the event of hike in the International oil price; and

(d) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS(SHRI DINSHA PATEL)

(a) to (d): Government is providing subsidy on PDS Kerosene and Domestic LPG under the notified PDS Kerosene and Domestic LPG Subsidy Scheme, 2002. The Government had decided that this subsidy at one-third level of the rate of subsidy of 2002-03 would be allowed till 31.3.2010.A provision of Rs.2700 crore has been made in the fiscal budget of 2008-09 for subsidy on PDS Kerosene and Domestic LPG.

India's dependence on crude oil imports has risen to around 80%.Accordingly, oil prices in the international market directly impact the cost price of petroleum products in the country.As passing on the entire impact of the steep increase in the oil prices to the consumers would result in steep increase in the domestic prices and aggravate the inflationary conditions, and weaken the high growth momentum of the economy, the Government has been following the equitable Burden Sharing Mechanism to ensure that the burden is shared by all the stakeholders; namely the Government, the Public Sector Oil Companies and the consumers in the following manner:

Issue of oil Bonds by the Government to Public Sector OMCs to compensate them partly for their under-recoveries;

Upstream Public Sector Oil Companies to share a part of the burden by offering price discounts on crude oil petroleum products;

Downstream oil companies to bear a part of the burden; and

Minimal price increases for the consumers.

The equitable Burden Sharing Mechanism has ensured the financial health of the Public Sector OMCs while enabling the Government to modulate the prices of the four sensitive petroleum products to ensure that the essential fuels remain within the reach of the common man.